

## Message Text

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16

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

INR-10 NSAE-00 RSC-01 FAA-00 L-03 H-03 SS-20 NSC-10

DRC-01 /080 W

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R 200553Z OCT 73

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 5502

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E.O. 11652: N/A

TAGS: ETRAN, MY

SUBJECT: CIVAIR: PANAM CARGO SERVICE

REF: A) KUALA LUMPUR 4578

B) STATE 202461

1. SUMMARY: IN CALL ON MINISTER OF COMMUNICATIONS SARDON STRONGLY CRITICIZED PANAM AND DECLINED TO CONSIDER REQUEST FOR PANAM SECOND WEEKLY CARGO FLIGHT UNTIL FULL DISCUSSIONS HAVE TAKEN PLACE BETWEEN PANAM AND MAS. BRUSHING ASIDE OBLIGATIONS UNDER AGREEMENT, SARDON IMPLIED THAT ANY FURTHER ARRANGEMENTS WITH PANAM WOULD BE POSTPONED UNTIL THE BASIC AIR AGREEMENT IS REVISED. CONSIDERING SARDON'S PIQUE TOWARD PANAM, I RECOMMEND PANAM SEND SENIOR REPRESENTATIVE TO KL ASAP TO COOL HIM DOWN. THIS ESPECIALLY INDICATED IN VIEW OF INABILITY USG INDICATED STATE 206900 TO FIELD A TEAM THIS YEAR FOR REVIEW OF 1970 AIR AGREEMENT. END SUMMARY.

2. IN ACCORDANCE OUR EARLIER CABLE I CALLED ON MINISTER SARDON YESTERDAY TO MAKE REPRESENTATION ON CIVAIR AGREEMENT AND SEEK APPROVAL SECOND PANAM CARGO FLIGHT. SARDON RESPONDED WITH STRONG WORDS ON PANAM. BEGINNING WITH PANAM'S FAILURE TO INITIATE SERVICE IN 1970 AFTER RUSHING AIR AGREEMENT, SARDON'S COMMENTS CENTERED ON PANAM'S FAILURE TO DIS-

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CUSS THEIR PLANS AND INTENTIONS WITH GOM AND MAS. HE CON-

TRASTED PANAM WITH FLYING TIGER AND TWA, BOTH OF WHOM HE SAID COOPERATED IN POOLING ARRANGEMENTS WITH MAS AND OTHER FORMS OF TRAFFIC COORDINATION. AS PANAM HAD NOT SHOWN ANY COOPERATION ON ITS OWN, HE CONCLUDED THAT CONSIDERATION OF SECOND CARGO FLIGHT COULD AWAIT CONSULTATION REVIEW OF THE 1970 AIR AGREEMENT GOM HAS REQUESTED.

3. COMMENT: WE HAVE BEEN AWARE OF AND HAVE REPORTED GOM DESIRE TO CONDUCT TRAFFIC AND ROUTING DISCUSSIONS DIRECTLY WITH PANAM (SEE KL 3624) AND THEIR DISPLEASURE WITH PANAM TACTICS (SEE KL 3528). SARDON'S THEATRICALS ARE IN SOME MEASURE TACTICAL AND INTENDED TO GET PANAM INTO BARGAINING WITH MAS, BUT HIS RESPONSE ALSO REFLECTS PERSONAL SLIGHTS, E.G., PANAM FAILURE TO CALL ON HIM DURING CARGO INAUGURAL IN SEPTEMBER.

4. SARDON NOT CONCERNED ABOUT LEGAL OBLIGATIONS OF AGREEMENT WHICH HE WISHES TO REVISE IN CONSULTATIONS GOM HAS REQUESTED, AND IT UNLIKELY THAT SARDON WILL PERMIT PANAM'S SECOND CARGO FLIGHT PRIOR TO CONSULTATION. MOREOVER HE CLAIMS LEGAL RIGHT UNDER EXISTING PERMIT TO CANCEL EVEN FIRST FLIGHT ON THIRTY DAYS NOTICE. I BELIEVE LEGAL TECHNICALITIES ARE NOW A SECONDARY CONSIDERATION FOR PANAM. THE COMPANY HAS A BAD IMAGE WITH THE GOM AND UNTIL IT ESTABLISHES A BETTER ONE I SEE LITTLE CHANCE FOR PANAM TO CARRY OUT ITS EXPANDED TRAFFIC PLANS FOR THIS COUNTRY. I RECOMMEND DEPARTMENT URGE PANAM HAVE EFFECTIVE AMERICAN REP VISIT KL AT THE EARLIEST POSSIBLE TIME, ESPECIALLY IF WE ARE UNABLE TO MEET WITH GOM IN NOVEMBER AND IF WE AND PANAM WISH TO AVOID IMPRESSION OF FOOT DRAGGING.

5. IN ADDITION, WE NOTE THAT ARTICLE 14 OF AGREEMENT PROVIDES FOR CONSULTATION WITHIN 60 DAYS AFTER THEY ARE REQUESTED. USG INABILITY FIELD TEAM UNTIL AFTER FIRST OF YEAR WOULD OF COURSE NOT COMPLY WITH AGREEMENT AND WOULD BE INCONSISTENT WITH THE URGENCY WITH WHICH WE HAVE BEEN PURSUING THIS MATTER. LYDMAN

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